TRANS HEX GROUP LIMITED
Incorporated in the Republic of South Africa
Registration number (1963/007579/06)
Share code: TSX
ISIN: ZAE000018552
("**Trans Hex**" or the "**Company**" or the "**Group**")

SUMMARY AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

FINANCIAL HEADLINES

- Sales revenue amounted to R695,7 million (2013: R751,3 million).
- Group loss after tax from continuing operations was R5,1 million (2013: profit of R65,0 million).
- Profit after tax from discontinued operations amounted to R27,8 million (2013: R20,4 million).
- Group net profit for the year was R22,7 million (2013: R85,4 million).
- The Group's net cash position at the end of the year was R397,6 million (2013: R383,4 million).
- Earnings per share amounted to 20,7 cents (2013: 79,7 cents) and headline earnings per share amounted to 9,8 cents (2013: 69,9 cents).
- Net asset value per share was 521,0 cents (2013: 505,0 cents).
- In Angola, Somiluana sales amounted to US$32,4 million (2013: US$14,9 million).

SUMMARY CONSOLIDATED INCOME STATEMENT

	Notes	2014 R'000	2013 R'000
Continuing operations			
Sales revenue		695 730	751 304
Cost of goods sold		(653 736)	(605 181)
Gross profit		41 994	146 123
Royalties		(4 629)	(19 832)
Selling and administration costs		(71 620)	(65 377)
Mining (loss)/profit		(34 255)	60 914
Exploration costs		(3 762)	(5 213)
Other gains – net	1	21 407	22 158
Finance income		15 378	17 566
Finance costs		(4 995)	(8 403)
(Loss)/profit before income tax		(6 227)	87 022
Income tax		1 112	(22 017)
(Loss)/profit for the year from continuing operations		(5 115)	65 005
Discontinued operations			
Share of income from joint ventures	2	27 854	20 364
Profit for the year		22 739	85 369
Attributable to:			
Continuing operations		(5 115)	65 005
• Owners of the parent		(5 991)	63 847
• Non-controlling interest		876	1 158
Discontinuing operations			
• Owners of the parent		27 854	20 364
		22 739	85 369
Earnings per share – basic and diluted (cents)			
• Continuing operations		(5,7)	60,4
• Discontinued operations		26,4	19,3
• Total		20,7	79,7
Shares in issue adjusted for treasury shares ('000)		105 699	105 699
Headline earnings	3		
• Continuing operations		(17 459)	53 485
• Discontinued operations		27 854	20 364
• Total		10 395	73 849
Headline earnings per share (cents)			
• Continuing operations		(16,6)	50,6
• Discontinued operations		26,4	19,3
• Total		9,8	69,9
Average US$ exchange rate		10,20	8,62

SUMMARY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2014 R'000	2013 R'000
Profit for the year	**22 739**	85 369
Other comprehensive income net of tax:		
Items will not be reclassified to profit or loss		
Remeasurements of post-employment benefit obligations	**2 061**	–
• Before-tax amount	**2 863**	–
• Tax (expense)/benefit	**(802)**	–
Translation differences on foreign subsidiaries before and after tax	**(8 560)**	(20 220)
Fair value adjustment on available-for-sale financial assets before and after tax	**–**	(116)
Reclassification of fair value adjustment on available-for-sale financial assets on disposal before and after tax	**(37)**	(82)
Total comprehensive income for the year	**16 203**	64 951
Attributable to:		
• Owners of the parent	**15 327**	63 793
• Non-controlling interest	**876**	1 158
	16 203	64 951

SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	2014 R'000	2013 R'000	2012 R'000
Assets				
Non-current assets		**391 393**	449 810	483 873
Property, plant and equipment		**279 000**	338 483	384 858
Investment in associates		**59 580**	60 964	50 833
Investments held by environmental trust		**52 813**	50 245	47 835
Available for sale investments		**–**	118	347
Current assets		**560 378**	540 617	466 547
Inventories	4	**137 305**	133 569	97 636
Trade and other receivables		**21 670**	23 672	21 593
Current income tax		**3 853**	–	–
Cash and cash equivalents		**397 550**	383 376	347 318
Total assets		**951 771**	990 427	950 420
Equity and liabilities				
Capital and reserves		**549 231**	533 904	470 111
Non-controlling interest		**1 000**	124	(1 034)
Non-current liabilities		**148 488**	153 717	191 065
Borrowings		**–**	1 281	24 401
Deferred income tax liabilities		**46 138**	53 583	70 735
Provisions		**102 350**	98 853	91 473
Deferred income		**–**	–	4 456
Current liabilities		**253 052**	302 682	290 278
Trade and other payables		**126 263**	139 361	121 776
Interest in joint ventures		**125 188**	134 798	131 180
Current income tax liabilities		**320**	2 584	4 787
Borrowings		**1 281**	25 939	32 535
Total equity and liabilities		**951 771**	990 427	950 420
Net asset value per share (cents)		**521**	505	442

SUMMARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	2014 R'000	2013 R'000
Balance at 1 April	534 028	469 077
Total comprehensive income for the year	16 203	64 951
Balance at end of year	550 231	534 028

SUMMARY CONSOLIDATED STATEMENT OF CASH FLOWS

	2014 R'000	2013 R'000
Cash generated from operations	72 302	155 235
Movements in working capital	(11 404)	(17 521)
Income tax paid	(13 252)	(41 372)
Net cash generated from operating activities	47 646	96 342
Cash employed	(33 472)	(60 284)
Property, plant and equipment		
• Proceeds from disposal	25 298	13 561
• Replacement	(31 638)	(26 561)
• Additional	(11 634)	(17 828)
Investments and loans	10 283	–
Borrowings repaid	(25 781)	(29 456)
Net increase in cash and cash equivalents	14 174	36 058
Cash and cash equivalents at beginning of year	383 376	347 318
Cash and cash equivalents at end of year	397 550	383 376

NOTES TO THE SUMMARY CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

		2014 R'000	2013 R'000
1.	**Other gains – net**		
	Other gains – net consists of the following categories:		
	• Net foreign exchange gains	9 846	11 719
	• Profit on sale of assets and investments	11 561	10 439
		21 407	22 158

2. **Discontinued operations**

On 5 October 2011, the Angolan Ministry of Geology, Mines and Industry revoked the mining rights of the Luarica and Fucaúma joint ventures as no mining activities had been performed at the sites for a period of three years as a result of the projects being placed under care and maintenance.

The prescription of unclaimed debts of R27,8 million (2013: R22,2 million) is included below.

	2014 R'000	2013 R'000
Share of income from joint ventures	27 854	20 364
Profit before income tax	27 854	20 364
Taxation	–	–
Profit for the year	27 854	20 364

3. **Reconciliation of headline earnings**

	2014 R'000	2013 R'000
Continuing operations		
(Loss)/profit for the year	(5 991)	63 847
• Profit on sale of assets	(11 561)	(10 357)
• Taxation impact	93	77
• Profit on sale of listed investment	–	(82)
• Taxation impact	–	–
Headline (loss)/earnings	(17 459)	53 485
Discontinued operations		
Profit for the year	27 854	20 364
Headline earnings	27 854	20 364

		2014 R'000	2013 R'000
4.	**Inventories**		
	Diamonds	**117 689**	113 302
	Consumables	**19 616**	20 267
		137 305	133 569
5.	**Capital commitments**		
	(including amounts authorised, but not yet contracted)	**62 655**	77 430

These commitments will be financed from the Group's own resources or with borrowed funds.

6. Change in accounting policy and reclassifications

The following tables summarise the Group's retroactive restatements to its consolidated financial statements resulting from the adoption of IFRS 11, joint arrangements and the change in method of presentation of certain financial assets.

The impacts on the consolidated statements of financial position are as follows, as at:

31 March 2013

	Consolidated			
	As reported R'000	Joint arrangements R'000	Reclassifications R'000	2013 Restated R'000
Assets				
Non-current assets	449 810	–	–	449 810
Property, plant and equipment	338 483	–	–	338 483
Investment in associates	–	–	60 964	60 964
Investments held by environmental trust	–	–	50 245	50 245
Financial assets	111 327	–	(111 327)	–
Available for sale investments	–	–	118	118
Current assets	540 637	(20)	–	540 617
Inventories	133 569	–	–	133 569
Trade and other receivables	23 672	–	–	23 672
Cash and cash equivalents	383 396	(20)	–	383 376
Total assets	990 447	(20)	–	990 427
Equity				
Capital and reserves	533 904	–	–	533 904
Stated capital	206 276	–	–	206 276
Other reserves	33 643	–	–	33 643
Retained profit	293 985	–	–	293 985
Non-controlling interest	124	–	–	124
Liabilities	456 419	(20)	–	456 399
Non-current liabilities	153 717	–	–	153 717
Borrowings	1 281	–	–	1 281
Deferred income tax liabilities	53 583	–	–	53 583
Provisions	98 853	–	–	98 853
Deferred income	–	–	–	–
Current liabilities	302 702	(20)	–	302 683
Trade and other payables	231 144	(91 783)	–	139 361
Interest in joint ventures	–	134 798	–	134 798
Current income tax liabilities	2 584	–	–	2 584
Borrowings	68 974	(43 035)	–	25 939
Total equity and liabilities	990 447	(20)	–	990 427

6. Change in accounting policy and reclassifications (continued)

31 March 2012

	Consolidated			
	As reported R'000	Joint arrangements R'000	Reclassifications R'000	2012 Restated R'000
Assets				
Non-current assets	483 873	–	–	483 873
Property, plant and equipment	384 858	–	–	384 858
Investment in associates	–	–	50 833	50 833
Investments held by environmental trust	–	–	47 835	47 835
Financial assets	99 015	–	(99 015)	–
Available for sale investments	–	–	347	347
Current assets	466 720	(173)	–	466 547
Inventories	97 776	(140)	–	97 636
Trade and other receivables	21 593	–	–	21 593
Cash and cash equivalents	347 351	(33)	–	347 318
Total assets	950 593	(173)	–	950 420
Equity				
Capital and reserves	470 111	–	–	470 111
Stated capital	206 276	–	–	206 276
Other reserves	125 266	–	–	125 266
Retained profit	138 569	–	–	138 569
Non-controlling interest	(1 034)	–	–	(1 034)
Liabilities	481 516	(173)	–	481 343
Non-current liabilities	191 065	–	–	191 065
Borrowings	24 401	–	–	24 401
Deferred income tax liabilities	70 735	–	–	70 735
Provisions	91 473	–	–	91 473
Deferred income	4 456	–	–	4 456
Current liabilities	290 451	(173)	–	290 278
Trade and other payables	216 325	(94 549)	–	121 776
Interest in joint ventures	–	131 180	–	131 180
Current income tax liabilities	4 787	–	–	4 787
Borrowings	69 339	(36 804)	–	32 535
Total equity and liabilities	950 593	(173)	–	950 420

In the 2014 financial year, the Company decided to reclassify financial assets that were previously reported as available-for-sale investments, investments in associates and investments in environment rehabilitation trusts on the face of the statement of financial position.

There was no impact on the income statements and the statements of comprehensive income as a result of the reclassifications and the change in accounting policy.

7. Segment information

Operating segments

Twelve months ending 31 March 2014	Continuing			Discontinued
	South Africa	Angola	Total	Angola
Carats sold	55 083	–	55 083	–
	R'000	R'000	R'000	R'000
Revenue	695 730	–	695 730	–
Cost of goods sold	(653 736)	–	(653 736)	–
Gross profit	41 994	–	41 994	–
Royalties	(4 629)	–	(4 629)	–
Selling and administration costs	(63 059)	(8 561)	(71 620)	–
Mining loss	(25 694)	(8 561)	(34 255)	–
Exploration costs	(3 762)	–	(3 762)	–
Other gains – net	10 176	11 231	21 407	27 854
Finance income	15 378	–	15 378	–
Finance costs	(4 995)	–	(4 995)	–
(Loss)/profit before income tax	(8 897)	2 670	(6 227)	27 854
Depreciation included in the above	(90 379)	(335)	(90 713)	–
Net assets/(liabilities)	588 500	86 919	675 419	(125 188)
Capital expenditure	43 261	11	43 272	–
Net asset value per share (cents)	562	77	639	(118)

Twelve months ending 31 March 2013	Continuing			Discontinued
	South Africa	Angola	Total	Angola
Carats sold	65 339	–	65 339	–
	R'000	R'000	R'000	R'000
Revenue	751 304	–	751 304	–
Cost of goods sold	(605 181)	–	(605 181)	–
Gross profit	146 123	–	146 123	–
Other operating expenses	–	–	–	(1 866)
Royalties	(19 832)	–	(19 832)	–
Selling and administration costs	(58 961)	(6 416)	(65 377)	–
Mining profit/(loss)	67 330	(6 416)	60 914	(1 866)
Exploration costs	(5 213)	–	(5 213)	–
Other gains – net	16 937	5 221	22 158	22 230
Finance income	17 566	–	17 566	–
Finance costs	(8 403)	–	(8 403)	–
Profit/(loss) before income tax	88 217	(1 195)	87 022	20 364
Depreciation included in the above	(89 247)	(469)	(89 716)	–
Net assets/(liabilities)	596 851	71 975	668 826	(134 798)
Capital expenditure	44 386	3	44 389	–
Net asset value per share (cents)	565	68	633	(128)

Revenues from transactions with certain customers can amount to 10% or more of total revenue. During the periods under review, no individual customer was responsible for aggregate sales in excess of 10% of revenue.

8. Mineral resources and mineral reserves

There have been no material changes to the mineral resources and mineral reserves previously reported in the Annual Report for the South African projects. At Somiluana a reclassification of Indicated Resources to Inferred Resources has resulted in a reduction of 69% in the Probable Reserves.

9. Contingent liabilities

There have been no material changes to contingent liabilities previously reported in the Annual Report.

10. **Accounting policies**

The summary consolidated financial statements are prepared in accordance with the requirements of the JSE Limited Listings Requirements for preliminary reports and the requirements of the Companies Act applicable to summary financial statements. The Listings Requirements require preliminary reports to be prepared in accordance with the framework concepts, the measurement and recognition requirements of International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standard Council, and to also, as a minimum, contain the information required by IAS 34 Interim Financial Reporting.

The accounting policies are consistent with those of the previous annual financial statements, unless otherwise stated. The Group has adopted all the new, revised or amended accounting pronouncements as issued by the IASB which were effective for the Group from 1 April 2013. The adoption of these standards and amendments to standards and interpretations did not have any material impact on the Group's results and cash flows for the year ended 31 March 2014 or its financial position as at 31 March 2014, with the exception of IFRS 11 as noted below.

11. **Impact of change in accounting policy**

IFRS 11 focuses on the rights and obligations of a joint arrangement rather than its legal form as was the case under IAS 31. IFRS 11 classifies joint arrangements into two types: joint ventures and joint operations. Joint ventures are arrangements whereby the parties have rights to net assets, while joint operations are arrangements whereby the parties have rights to the assets and obligations for the liabilities. The standard eliminates choices in the reporting of joint arrangements by requiring the use of the equity method to account for interests in joint ventures, and by requiring joint operators to recognise assets and liabilities in relation to their interests in the arrangements. The change has been accounted for retroactively in accordance with the transition rules of IFRS 11.

A part of the Group's investments in joint arrangements qualifies as joint ventures and is now accounted for using the equity method of accounting. These investments were previously accounted for using the proportionate consolidation method. Under the equity method of accounting, the Group's share of net assets, net income and other comprehensive income of joint ventures are presented as one-line items on the consolidated statement of financial position, the consolidated statement of income and the consolidated statement of comprehensive income respectively. In addition, the consolidated statement of cash flows under the equity method of accounting includes the cash flows between the Group and its joint ventures and not the Group's proportionate share of the joint ventures' cash flows. The impact of the change in accounting policy is contained in note 6.

12. **Preparation of financial statements**

The preparation of the summary consolidated financial statements was supervised by the Financial Director, IP Hestermann CA(SA).

13. **Report of independent auditor**

These summary consolidated financial statements for the year ended 31 March 2014 have been audited by Pricewaterhouse-Coopers Inc., who expressed an unmodified opinion thereon. The auditor also expressed an unmodified opinion on the annual financial statements from which these summary consolidated financial statements were derived.

A copy of the auditor's report on the summary consolidated financial statements and of the auditor's report on the annual consolidated financial statements are available for inspection at the Company's registered office, together with the financial statements identified in the respective auditor's reports.

OVERVIEW

In this commentary, results are compared with the 12 months of the 2013 financial year (in brackets).

Sales revenue decreased by 7,4% in Rand terms from R751,3 million in 2013 to R695,7 million as a result of a 15,7% decrease in carats sold and a 7,2% decrease in average prices. Revenue was however positively affected by a 14,4% weakening in the Rand. The average price decreased from US$1 334 per carat (2013) to US$1 238 as a result of fewer special stones being sold during the first six months of the year.

South African production decreased to 52 081 carats (2013: 67 115 carats) due to a 14,9% reduction in volume treated as a result of the withdrawal of joint-venture contractors and a 21-day strike over pay increases by members of the National Union of Mineworkers. A 12,4% drop in grade as a result of grade underperformance during the first six months of the year, also impacted on production. The average grade realised was 0,92 carats/100 m^3 (2013: 1,05 carats/100 m^3).

The cost of goods sold increased to R653,7 million (2013: R605,2 million), mainly due to stock movement of R32,7 million and a 2,5% increase in operating costs. The unit cost of production increased by 20,0% due to lower volumes treated and increases in the cost of overburden stripping at Baken.

Gross profit for the year amounted to R42,0 million (2013: R146,1 million).

South African operations showed a loss before tax of R8,9 million (2013: profit of R88,2 million).

In Angola, production at Somiluana, in which Trans Hex holds a 33% stake, amounted to 72 041 carats (2013: 41 313 carats) due to an increase of 20,9% in volumes treated and a 44,2% increase in grade. Total sales amounted to US$32,4 million at an average price of US$478 per carat (2013: sales of US$14,9 million at an average price of US$352 per carat). Somiluana's operating margin was 32% (2013: -20%) and the Mine generated net profit of US$10,5 million (2013: loss of US$3,0 million). Repayments of US$1,0 million were made to Trans Hex against the outstanding investment amount and the balance of cash generated was retained to develop the Mine.

The investment in Somiluana is accounted for as an investment in an associate under the equity method. As the investment's liabilities exceed its assets, no equity accounted profit or loss was accounted for.

Profit from the Angolan head office operations amounted to R2,7 million mainly as a result of an R11,2 million profit on the sale of assets (2013: loss of R1,2 million).

The Group reports an after-tax loss for the year from continuing operations of R5,1 million (2013: profit of R65,0 million).

Profit from the discontinued Luarica and Fucaúma operations amounted to R27,8 million (2013: R20,4 million).

The Group therefore reports a profit for the year of R22,7 million (2013: R85,4 million).

Cash and cash equivalents at the end of the reporting year amounted to R397,6 million (2013: R383,4 million).

OPERATING PERFORMANCE

	Twelve months ended 31 March 2014				Twelve months ended 31 March 2013			
Detailed project information (unaudited)	**Average grade per 100 m^3**	**Carats produced**	**Average carats per stone**	**Average price per carat achieved (US$)**	Average grade per 100 m^3	Carats produced	Average carats per stone	Average price per carat achieved US$
South Africa								
Baken	**0,96**	**35 637**	**1,31**	**1 320**	1,03	44 465	1,11	1 313
Richtersveld Operations	**0,79**	**7 630**	**1,60**	**1 541**	1,13	13 490	1,97	1 940
Shallow water	**–**	**8 813**	**0,32**	**487**	–	9 159	0,31	515
Total South Africa	**0,92**	**52 081**	**0,87**	**1 238**	1,05	67 115	0,88	1 334
Angola								
Somiluana	**23,95**	**72 041**	**0,60**	**478**	16,58	41 313	0,42	352

Note: Average grade in South Africa is calculated excluding shallow water production.

South Africa
Increased stripping of overburden in the main channel at Baken during the first six months of the year opened up new blocks for mining in the second half. Mining in the second six-month period yielded higher grades at 1,11 carats/100 m^3 compared to the first six-month period of 0,79 carats/100 m^3. A higher proportion of special stones was also sold in the second six-month period, as is evident from the increase in the average price of Baken stones from $1 100 per carat at interim stage to $1 320 for the year.

Results from the Richtersveld Operations were affected by the winding down of operations at the Nxodap mining area that reached the end of its economic life. The Nxodap mining assets are being relocated to the Jakkalsberg mining area.

Angola
Mining activities during the financial year focused on the east bank of the Luana River where the grades and diamond values continue to exceed resource estimations. In the previous financial year all activities were concentrated on the west bank of the river.

OUTLOOK

Trans Hex has reached agreement with De Beers Consolidated Mines Proprietary Limited (DBCM) which addresses the State's 20% interest in Namaqualand Mines in order to close the transaction originally signed on 6 May 2011. As a result, the sale agreement between DBCM, Emerald Panther Investments 78 (Pty) Limited and Trans Hex is being amended to provide for the creation of a Special Purpose Vehicle to hold the State's 20% share in EPI. The effective date of the acquisition is expected to be 31 October 2014.

Stripping operations in the Baken central channel will continue until the economically viable gravel in the main channel has been exhausted, which is expected to be towards the end of the 2015 financial year. Thereafter mining will focus on shallow deposits and lower grade stockpiles.

The Richtersveld Operations are expected to improve on the carat performance of the previous year due to increased volumes and grade.

South African production for the 2015 financial year is expected to be 55 000 carats.

In Angola, Somiluana is increasing production capacity through internal cash flows and external funding will not be pursued. Production results and geological work through drilling and bulk sampling indicate that carat production for the 2015 financial year will surpass the 72 000 carats achieved in 2014.

Trans Hex is continuing to wind up the discontinued Luarica and Fucaúma projects in Angola.

Tight controls over cash and costs will continue to be exercised in all areas of the Group's business.

Rough diamond prices are expected to remain stable in the coming financial year as the US market continues to show signs of recovery and increased demand from China and India is set to persist.

Based on the market outlook, interest and strong demand for Trans Hex production are expected to continue for the foreseeable future.

DIVIDEND

The Board has resolved that it would not be prudent to recommence dividend payments until there is a degree of confidence that the Group has achieved a growing flow of new earnings. Accordingly, no final dividend is declared.

Shareholders' diary

The Annual Report will be distributed by 30 June 2014 and the Annual General Meeting is scheduled for 7 August 2014.

By order of the Board

BR van Rooyen
Chairman

L Delport
Chief Executive Officer

Parow
29 May 2014

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